

TOWNSHIP OF LEONI
JACKSON COUNTY - MICHIGAN
FINANCIAL STATEMENTS
Year Ended June 30, 2008

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Dove & Hickey, P.L.C.

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NANNETTE M. SPONSER, C.P.A.
ALLISON I. COLE, C.P.A.**

INDEPENDENT AUDITOR'S REPORT

The Supervisor and Board of Trustees
Township of Leoni
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Leoni as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Leoni as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Leoni has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of the financial statements.

Our audit was conducted for the purpose of forming opinions on the financial that collectively comprise the Township of Leoni's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Dove & Hickey, P.L.C.

November 19, 2008

TOWNSHIP OF LEONI
GOVERNMENT-WIDE -
STATEMENT OF NET ASSETS
June 30, 2008

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		
<u>ASSETS:</u>				
Cash and investments	\$ 889,801	\$ 3,774,498	\$ 4,664,299	\$ 881,853
Restricted cash	-0-	108,400	108,400	-0-
Receivables:				
Interest	-0-	4,312	4,312	-0-
Customers	33,348	388,062	421,410	-0-
Grants	1,863	-0-	1,863	-0-
Assessment - current	-0-	168,539	168,539	-0-
Land contract - current	-0-	1,954	1,954	-0-
Due from other governments	303,265	20,424	323,689	-0-
Internal balances	(23,103)	23,103	-0-	-0-
Due from component unit	-0-	2,554	2,554	-0-
Prepaid expenses	23,553	10,094	33,647	-0-
Inventory	-0-	87,223	87,223	-0-
Unamortized bond discount	-0-	7,375	7,375	-0-
Assessment - net of current	-0-	964,852	964,852	-0-
Land contract - net of current	-0-	142,363	142,363	-0-
Capital assets not being depreciated	163,606	2,571,625	2,735,231	-0-
Capital assets being depreciated - net	<u>1,219,202</u>	<u>18,762,462</u>	<u>19,981,664</u>	<u>-0-</u>
Total assets	<u>2,611,535</u>	<u>27,037,840</u>	<u>29,649,375</u>	<u>881,853</u>
<u>LIABILITIES:</u>				
Accounts payable	20,233	43,430	63,663	7,028
Accrued liabilities	67,652	9,173	76,825	-0-
Accrued interest payable	-0-	3,587	3,587	3,450
Due to other governments	-0-	59,394	59,394	-0-
Due to primary government	-0-	-0-	-0-	2,554
Deferred revenue	-0-	47,043	47,043	-0-
Noncurrent liabilities:				
Due within one year	86,712	533,780	620,492	55,000
Due in more than one year	<u>171,412</u>	<u>5,369,688</u>	<u>5,541,100</u>	<u>185,000</u>
Total liabilities	<u>346,009</u>	<u>6,066,095</u>	<u>6,412,104</u>	<u>253,032</u>
<u>NET ASSETS:</u>				
Invested in capital assets, net of related debt	1,369,042	15,446,004	16,815,046	-0-
Restricted:				
Street lights	155,267	-0-	155,267	-0-
Drug forfeiture activities	19,044	-0-	19,044	-0-
Perpetual care	6,009	-0-	6,009	-0-
Debt service	-0-	128,824	128,824	-0-
Unrestricted	<u>716,164</u>	<u>5,396,917</u>	<u>6,113,081</u>	<u>628,821</u>
Total net assets	<u>\$ 2,265,526</u>	<u>\$20,971,745</u>	<u>\$23,237,271</u>	<u>\$ 628,821</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
GOVERNMENT-WIDE -
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
GOVERNMENTAL ACTIVITIES:				
General government	\$ 565,402	\$ 211,996	\$ -0-	\$ -0-
Public Safety	2,024,917	111,508	662	1,863
Public works	127,849	93,481	-0-	-0-
Community and economic development	2,906	4,341	-0-	-0-
Recreation	<u>14,076</u>	<u>-0-</u>	<u>-0-</u>	<u>7,314</u>
Total governmental activities	<u>2,735,150</u>	<u>421,326</u>	<u>662</u>	<u>9,177</u>
BUSINESS-TYPE ACTIVITIES:				
Sewer	1,986,799	2,333,206	-0-	84,921
Water	<u>192,344</u>	<u>184,542</u>	<u>-0-</u>	<u>52,073</u>
Total business-type activities	<u>2,179,143</u>	<u>2,517,748</u>	<u>-0-</u>	<u>136,994</u>
Total primary government	<u>\$ 4,914,293</u>	<u>\$ 2,939,074</u>	<u>\$ 662</u>	<u>\$ 146,171</u>
COMPONENT UNIT:				
Community development	<u>\$ 302,804</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

GENERAL REVENUES:

Property taxes
State shared revenue
Cable fees
Unrestricted investment earnings
Gain on sale of capital assets
Total general revenues

CHANGES IN NET ASSETS

NET ASSETS - BEGINNING OF YEAR - AS RESTATED

NET ASSETS - END OF YEAR

See accompanying notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
(\$ 353,406)	\$ -0-	(\$ 353,406)	\$ -0-
(1,910,884)	-0-	(1,910,884)	-0-
(34,368)	-0-	(34,368)	-0-
1,435	-0-	1,435	-0-
<u>(6,762)</u>	<u>-0-</u>	<u>(6,762)</u>	<u>-0-</u>
<u>(2,303,985)</u>	<u>-0-</u>	<u>(2,303,985)</u>	<u>-0-</u>
-0-	431,328	431,328	-0-
<u>-0-</u>	<u>44,271</u>	<u>44,271</u>	<u>-0-</u>
<u>-0-</u>	<u>475,599</u>	<u>475,599</u>	<u>-0-</u>
<u>(2,303,985)</u>	<u>475,599</u>	<u>(1,828,386)</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(302,804)</u>
780,632	-0-	780,632	175,813
954,815	-0-	954,815	-0-
69,612	-0-	69,612	-0-
71,256	176,970	248,226	39,230
<u>4,581</u>	<u>-0-</u>	<u>4,581</u>	<u>-0-</u>
<u>1,880,896</u>	<u>176,970</u>	<u>2,057,866</u>	<u>215,043</u>
(423,089)	652,569	229,480	(87,761)
<u>2,688,615</u>	<u>20,319,176</u>	<u>23,007,791</u>	<u>716,582</u>
\$ <u>2,265,526</u>	\$ <u>20,971,745</u>	\$ <u>23,237,271</u>	\$ <u>628,821</u>

TOWNSHIP OF LEONI
BALANCE SHEET -
GOVERNMENTAL FUNDS
June 30, 2008

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Fire</u>	<u>Non-Major</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
<u>ASSETS:</u>				
Cash and investments	\$ 813,441	\$ -0-	\$ 54,189	\$ 867,630
Receivables:				
Others	33,348	-0-	-0-	33,348
Due from other governments	303,265	-0-	-0-	303,265
Due from other funds	400,662	-0-	11,102	411,764
Prepaid expenses	<u>23,553</u>	<u>-0-</u>	<u>-0-</u>	<u>23,553</u>
 Total assets	 \$ <u>1,574,269</u>	 \$ <u>-0-</u>	 \$ <u>65,291</u>	 \$ <u>1,639,560</u>
<u>LIABILITIES AND FUND BALANCES:</u>				
Liabilities:				
Accounts payable	\$ 20,233	\$ -0-	\$ -0-	\$ 20,233
Accrued liabilities	66,652	-0-	1,000	67,652
Due to other funds	<u>11,302</u>	<u>-0-</u>	<u>10,638</u>	<u>21,940</u>
 Total liabilities	 <u>98,187</u>	 <u>-0-</u>	 <u>11,638</u>	 <u>109,825</u>
Fund balances:				
Reserved for:				
Street lighting	155,267	-0-	-0-	155,267
Public Safety	-0-	0-	19,044	19,044
Perpetual care	-0-	-0-	6,009	6,009
Unreserved reported in:				
Major Funds	1,320,815	-0-	-0-	1,320,815
Non-major permanent fund	<u>-0-</u>	<u>-0-</u>	<u>28,600</u>	<u>28,600</u>
 Total fund balances	 <u>1,476,082</u>	 <u>-0-</u>	 <u>53,653</u>	 <u>1,529,735</u>
 Total liabilities and fund balances	 \$ <u>1,574,269</u>	 \$ <u>-0-</u>	 \$ <u>65,291</u>	 \$ <u>1,639,560</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
RECONCILIATION OF FUND BALANCES ON THE
BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS -
GOVERNMENTAL FUNDS
June 30, 2008

Fund balances - total Governmental funds	\$ 1,529,735
Amounts reported for governmental activities in the statement of net assets are different because:	
Receivable, not received within 60 days of year end, so not considered available for the funds.	1,863
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	992,052
Certain liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(244,358)
Long-term liabilities not due and payable in the current period and are not reported in governmental funds.	<u>(13,766)</u>
Net assets of governmental activities	\$ <u>2,265,526</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	Major Funds		Other	Total
	General	Fire	Non-Major	Governmental
	Fund	Fund	Funds	Funds
REVENUES:				
Taxes and special assessments	\$ 574,344	\$ 473,339	\$ -0-	\$ 1,047,683
Licenses and permits	151,551	-0-	-0-	151,551
State sources	955,278	-0-	-0-	955,278
Contributions	7,314	200	-0-	7,514
Charges for services	29,822	7,401	8,650	45,873
Fines and forfeitures	20,924	-0-	5,538	26,462
Interest	<u>68,905</u>	<u>-0-</u>	<u>2,352</u>	<u>71,257</u>
Total revenues	<u>1,808,138</u>	<u>480,940</u>	<u>16,540</u>	<u>2,305,618</u>
EXPENDITURES:				
Current:				
General government	518,760	-0-	6,171	524,931
Public safety	704,028	1,273,562	4,932	1,982,522
Public works	127,849	-0-	-0-	127,849
Community and economic development	2,906	-0-	-0-	2,906
Recreation	9,232	-0-	-0-	9,232
Capital outlay	<u>113,103</u>	<u>10,470</u>	<u>-0-</u>	<u>123,573</u>
Total expenditures	<u>1,475,878</u>	<u>1,284,032</u>	<u>11,103</u>	<u>2,771,013</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>332,260</u>	<u>(803,092)</u>	<u>5,437</u>	<u>(465,395)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-0-	803,092	-0-	803,092
Operating transfers (out)	(803,092)	-0-	-0-	(803,092)
Proceeds from sale of capital assets	<u>4,581</u>	<u>-0-</u>	<u>-0-</u>	<u>4,581</u>
Total other financing sources (uses)	<u>(798,511)</u>	<u>803,092</u>	<u>-0-</u>	<u>4,581</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(466,251)	-0-	5,437	(460,814)
FUND BALANCES - BEGINNING OF YEAR - AS RESTATED	<u>1,942,333</u>	<u>-0-</u>	<u>48,216</u>	<u>1,990,549</u>
FUND BALANCES - END OF YEAR	\$ <u>1,476,082</u>	\$ <u>-0-</u>	\$ <u>53,653</u>	\$ <u>1,529,735</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
June 30, 2008

Net change in fund balance - total Governmental funds	(\$ 460,814)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	114,480
Depreciation on capital assets reported as part of governmental activities.	(89,327)
Payments on capital leases are expenditures in the governmental funds, but not in the statement of net assets (where the principal portion reduces long-term debt).	12,884
Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33) change in accounts receivable.	1,863
Accumulated employee sick pay is recorded when earned in the statement of activities.	<u>(2,175)</u>
Changes in net assets of governmental activities	(\$ <u>423,089</u>)

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
June 30, 2008

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	Sewer Fund	Water Fund	Total	
<u>ASSETS:</u>				
Current assets:				
Cash and investments	\$ 2,740,448	\$ 1,034,050	\$ 3,774,498	\$ 22,171
Restricted cash	108,400	-0-	108,400	-0-
Receivables:				
Interest	4,312	-0-	4,312	-0-
Customers	361,008	27,054	388,062	-0-
Assessments - current	143,998	24,541	168,539	-0-
Land contract - current	1,954	-0-	1,954	-0-
Due from other funds	10,297	31,828	42,125	10,538
Due from component unit	2,554	-0-	2,554	-0-
Due from other governments	20,424	-0-	20,424	-0-
Prepaid expense	6,729	3,365	10,094	-0-
Inventory	87,223	-0-	87,223	-0-
Total current assets	<u>3,487,347</u>	<u>1,120,838</u>	<u>4,608,185</u>	<u>32,709</u>
Noncurrent assets:				
Unamortized bond discount	7,375	-0-	7,375	-0-
Assessments - net of current	808,706	156,146	964,852	-0-
Land contract - net of current	142,363	-0-	142,363	-0-
Capital assets not being depreciated	2,550,584	21,041	2,571,625	-0-
Capital assets being depreciated - net	<u>16,789,506</u>	<u>1,972,956</u>	<u>18,762,462</u>	<u>390,756</u>
Total noncurrent assets	<u>20,298,534</u>	<u>2,150,143</u>	<u>22,448,677</u>	<u>390,756</u>
Total assets	<u>23,785,881</u>	<u>3,270,981</u>	<u>27,056,862</u>	<u>423,465</u>
<u>LIABILITIES:</u>				
Current liabilities:				
Accounts payable	37,897	5,533	43,430	-0-
Accrued liabilities	9,173	-0-	9,173	-0-
Deferred revenue	47,043	-0-	47,043	-0-
Compensated absences - due within one year	10,697	-0-	10,697	-0-
Due to other funds	17,522	1,500	19,022	423,465
Due to other governments	59,394	-0-	59,394	-0-
Accrued interest payable	3,587	-0-	3,587	-0-
Capital leases - current	133,083	-0-	133,083	-0-
Revenue bonds payable - current	<u>390,000</u>	<u>-0-</u>	<u>390,000</u>	<u>-0-</u>
Total current liabilities	<u>708,396</u>	<u>7,033</u>	<u>715,429</u>	<u>423,465</u>
Noncurrent liabilities:				
Capital leases - net of current	4,475,000	-0-	4,475,000	-0-
Revenue bonds payable - net of current	890,000	-0-	890,000	-0-
Compensated absences - due in more than one year	4,688	-0-	4,688	-0-
Total noncurrent liabilities	<u>5,369,688</u>	<u>-0-</u>	<u>5,369,688</u>	<u>-0-</u>
Total liabilities	<u>6,078,084</u>	<u>7,033</u>	<u>6,085,117</u>	<u>423,465</u>
<u>NET ASSETS:</u>				
Invested in capital assets - net of related debt	13,452,007	1,993,997	15,446,004	-0-
Restricted	128,824	-0-	128,824	-0-
Unrestricted	<u>4,126,966</u>	<u>1,269,951</u>	<u>5,396,917</u>	<u>-0-</u>
Total net assets	<u>\$17,707,797</u>	<u>\$ 3,263,948</u>	<u>\$20,971,745</u>	<u>\$ -0-</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
Year Ended June 30, 2008

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	Sewer Fund	Water Fund	Total	
OPERATING REVENUES:				
Charges for service	\$ 2,302,665	\$ 178,103	\$ 2,480,768	\$ 59,295
Other revenues	<u>26,341</u>	<u>6,439</u>	<u>32,780</u>	<u>-0-</u>
Total operating revenues	<u>2,329,006</u>	<u>184,542</u>	<u>2,513,548</u>	<u>59,295</u>
OPERATING EXPENSES:				
Wastewater collection	601,150	-0-	601,150	-0-
Wastewater treatment	678,969	-0-	678,969	-0-
Septage services	38,324	-0-	38,324	-0-
Water distribution	-0-	129,668	129,668	-0-
Depreciation and amortization	<u>453,500</u>	<u>62,676</u>	<u>516,176</u>	<u>60,293</u>
Total operating expenses	<u>1,771,943</u>	<u>192,344</u>	<u>1,964,287</u>	<u>60,293</u>
OPERATING INCOME (LOSS)	<u>557,063</u>	<u>(7,802)</u>	<u>549,261</u>	<u>(998)</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest revenue	125,295	51,675	176,970	998
Rental income	4,200	-0-	4,200	-0-
Interest expense and financing charges	<u>(214,856)</u>	<u>-0-</u>	<u>(214,856)</u>	<u>-0-</u>
Total non-operating revenues (expenses)	<u>(85,361)</u>	<u>51,675</u>	<u>(33,686)</u>	<u>998</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>471,702</u>	<u>43,873</u>	<u>515,575</u>	<u>-0-</u>
CAPITAL CONTRIBUTIONS:				
Connection fees	56,080	17,200	73,280	-0-
Capital contribution DDA	<u>28,841</u>	<u>34,873</u>	<u>63,714</u>	<u>-0-</u>
Total capital contributions	<u>84,921</u>	<u>52,073</u>	<u>136,994</u>	<u>-0-</u>
CHANGES IN NET ASSETS	556,623	95,946	652,569	-0-
NET ASSETS, BEGINNING OF YEAR	<u>17,151,174</u>	<u>3,168,002</u>	<u>20,319,176</u>	<u>-0-</u>
NET ASSETS, END OF YEAR	<u>\$17,707,797</u>	<u>\$ 3,263,948</u>	<u>\$20,971,745</u>	<u>\$ -0-</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
Year Ended June 30, 2008

	Business-Type Activities Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 2,408,303	\$ 181,076	\$ 2,589,379	\$ -0-
Cash received (paid) interfund services	5,850	(2,352)	3,498	-0-
Cash payments to employees benefits	(616,247)	(12,927)	(629,174)	-0-
Cash payments to suppliers	<u>(766,261)</u>	<u>(120,306)</u>	<u>(886,567)</u>	<u>-0-</u>
Net cash provided (used) by operating activities	<u>1,031,645</u>	<u>45,491</u>	<u>1,077,136</u>	<u>-0-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Connections	139,847	36,210	176,057	-0-
Construction/acquisition of capital assets	(794,157)	(141,020)	(935,177)	-0-
Proceeds from long-term receivable	2,080	-0-	2,080	-0-
Proceeds from capital grant	1,000,000	-0-	1,000,000	-0-
Principal paid on long-term debt	(372,580)	-0-	(372,580)	-0-
Interest paid on long-term debt	<u>(215,066)</u>	<u>-0-</u>	<u>(215,066)</u>	<u>-0-</u>
Net cash provided (used) by capital and related financing activities	<u>(239,876)</u>	<u>(104,810)</u>	<u>(344,686)</u>	<u>-0-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Rental income received	4,200	-0-	4,200	-0-
Purchase of investments	(1,271,413)	-0-	(1,271,413)	-0-
Sale of investment	1,629,566	-0-	1,629,566	-0-
Interest income	<u>150,025</u>	<u>51,675</u>	<u>201,700</u>	<u>998</u>
Net cash provided (used) by investing activities	<u>512,378</u>	<u>51,675</u>	<u>564,053</u>	<u>998</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,304,147	(7,644)	1,296,503	998
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>273,288</u>	<u>1,041,694</u>	<u>1,314,982</u>	<u>21,173</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,577,435</u>	<u>\$ 1,034,050</u>	<u>\$ 2,611,485</u>	<u>\$ 22,171</u>
STATEMENT OF NET ASSETS CLASSIFICATION OF CASH AND CASH EQUIVALENTS:				
Cash and investments	\$ 2,740,448	\$ 1,034,050	\$ 3,774,498	\$ 22,171
Restricted cash	108,400	-0-	108,400	-0-
Less: investments with original maturity in excess of three months	<u>(1,271,413)</u>	<u>-0-</u>	<u>(1,271,413)</u>	<u>-0-</u>
Total	<u>\$ 1,577,435</u>	<u>\$ 1,034,050</u>	<u>\$ 2,611,485</u>	<u>\$ 22,171</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
STATEMENT OF CASH FLOWS (Concluded)
PROPRIETARY FUNDS
Year Ended June 30, 2008

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	Sewer Fund	Water Fund	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ 557,063	(\$ 7,802)	\$ 549,261	(\$ 998)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	449,800	62,676	512,476	60,293
Amortization	3,700	-0-	3,700	-0-
Changes in assets and liabilities:				
Receivables	70,482	(238)	70,244	-0-
Due from other funds	5,850	(3,852)	1,998	(2,108)
Due from component unit	(2,554)	-0-	(2,554)	-0-
Prepaid expense	(6,730)	(3,365)	(10,095)	-0-
Inventories	(67,363)	-0-	(67,363)	-0-
Accounts payable and accrued expenses	4,077	(199)	3,878	-0-
Deferred revenue	8,815	(3,229)	5,586	-0-
Due to other funds	<u>8,505</u>	<u>1,500</u>	<u>10,005</u>	<u>(57,187)</u>
Net cash provided (used) by operating activities	\$ <u>1,031,645</u>	\$ <u>45,491</u>	\$ <u>1,077,136</u>	\$ <u>-0-</u>

Non-cash investing, capital, and financing activities:

The Township's DDA funded the construction of sewer and water lines for the East Gate Professional Park. The project was completed and the DDA transferred \$28,841 of sewer lines to the Sewer Fund and \$34,873 of water lines to the Water Fund.

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
STATEMENT OF NET ASSETS -
FIDUCIARY FUND
June 30, 2008

ASSETS:

Cash and cash equivalents	\$ <u>22,236</u>
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Total assets	\$ <u><u>22,236</u></u>
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LIABILITIES:

Due to other Governments	\$ 468
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Due to others	<u>21,768</u>
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Total liabilities	\$ <u><u>22,236</u></u>
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See accompanying notes to financial statements.

TOWNSHIP OF LEONI
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET -
COMPONENT UNIT
June 30, 2008

	Downtown Development Authority <u>Governmental</u> <u>Fund Type</u> <u>General Fund</u>
<u>ASSETS:</u>	
Cash and investments	\$ <u>881,853</u>
Total assets	\$ <u><u>881,853</u></u>
<u>LIABILITIES:</u>	
Accounts payable	\$ 7,028
Due to primary government	<u>2,554</u>
Total liabilities	<u>9,582</u>
Fund balance:	
Unreserved	<u>872,271</u>
Total liabilities and fund balance	\$ <u><u>881,853</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
RECONCILIATION OF FUND BALANCES ON THE
BALANCE SHEET FOR GOVERNMENTAL FUNDS -
COMPONENT UNIT TO STATEMENT OF NET ASSETS
June 30, 2008

Fund balances - total discretely presented component unit	\$ 872,271
Amounts reported for component unit in the statement of net assets are different because:	
Long-term liabilities not due and payable in the current period and are not reported in the component unit:	
Bonds payable	(240,000)
Accrued interest payable is not included as a liability in the component unit.	<u>(3,450)</u>
Net assets of component unit	\$ <u>628,821</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
COMPONENT UNIT
Year Ended June 30, 2008

	Downtown Development Authority <u>Governmental Fund Type</u> <u>General Fund</u>
REVENUES:	
Taxes	\$ 175,813
Interest income	<u>39,230</u>
Total revenues	<u>215,043</u>
EXPENDITURES:	
Community development	39,786
Capital outlay	240,824
Debt service	<u>72,856</u>
Total expenditures	<u>353,466</u>
EXCESS OF REVENUES AND OTHER SOURCES (UNDER) EXPENDITURES AND OTHER USES	 (138,423)
FUND BALANCE - BEGINNING OF YEAR	 <u>1,010,694</u>
FUND BALANCE - END OF YEAR	 \$ <u><u>872,271</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
COMPONENT UNIT TO THE STATEMENT OF ACTIVITIES
June 30, 2008

Net change in fund balance - total component unit	(\$ 138,423)
Amounts reported for governmental activities in the statement of activities are different because:	
Interest expense is reported in the statement of activities when incurred; it is not reported in the component unit governmental funds until paid	662
Repayment of note/bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>50,000</u>
Changes in net assets of governmental activities	(\$ <u>87,761</u>)

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Leoni (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Leoni.

Reporting Entity

The Township of Leoni is governed by an elected seven-member board. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Downtown Development Authority

The Downtown Development Authority of the Township of Leoni (D.D.A.) was established as a legally separate entity and is governed by a nine (9) member board appointed by the Township of Leoni. This authority was established to finance improvements to the Township's water supply system serving the downtown development district. The plan was amended to expand the boundaries and provide for the construction of additional water supply and sewer systems and a road. The revenues of this authority consist of captured real and personal property taxes within the district over the initial assessed value of the same property (assessed value at the time of the D.D.A.'s creation, multiplied by the millage rate of all applicable units of government). The disbursements of the authority are to pay bond principal and interest, plan and administrative expenses.

There are no separately issued financial statements for the component unit.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from a legally separate component unit for which the primary government is financially accountable.

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary funds, fiduciary fund, and component units financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the Township.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes and state-shared revenue.

Fire Fund - The Fire Fund is used to account for the use of property taxes received under a specially voted millage.

The Township reports the following major proprietary funds:

Sewer Fund - The Sewer Fund is used to account for the results of operations for providing sewer service to the citizens and businesses of the Township. The primary revenues are generated through user charges from those requesting sewer service.

Water Fund - The Water Fund is used to account for the results of operations for providing water service to the citizens and businesses of the Township. The fund's primary revenues are generated through user charges from those requesting water service.

Additionally, the Township reports the following fund types:

Internal Service Fund - The Internal Service Fund accounts for fleet and equipment management to other departments of the government on a cost reimbursement basis.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Permanent Fund - The Permanent Fund accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for perpetual care of cemetery lots.

Agency Funds - The Agency Funds account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, and other governments.

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's sewer and water function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds and the internal service fund relate to charges to customers for sales and services. The sewer and water fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

The Township's 2007 tax is levied and collectible on December 1, 2007, and is recognized as revenue in the year ended June 30, 2008, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2007 taxable valuation of the Township totaled approximately \$39,380,000 on which ad valorem taxes levied consisted of .7666 mills for operating purposes and 1.2302 mills for fire protection. This resulted in \$295,957 for operating, \$473,339 for fire protection, and \$26,961 for the Township's component unit. These amounts are recognized in the General Fund, Special Revenue Fund and discrete component units financial statements as tax revenue (net of reductions for delinquent amounts and prior year tax tribunal changes).

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are considered to be fully collectible.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid items in both the governmental-wide and fund financial statements.

Inventories - Proprietary fund inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased.

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	25 to 50 years
Sewer and water transportation lines	50 to 60 years
Furnishings and equipment	5 to 30 years
Vehicles	3 to 30 years

Compensated Absences - It is the Township's policy to permit certain eligible employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and all Special Revenue Funds. All annual appropriations lapse at year end. Public hearings are held, and a final budget is adopted no later than June 30. The Township Board must approve any budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control is the department level.

The government does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2008, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>		<u>Actual</u>		<u>Variance</u>
General Fund:					
Township Clerk - elections	\$ 6,000	\$	10,434	(\$	4,434)
Police	556,200		580,413		(24,213)
Transfers out	(780,720)		(803,092)		(22,372)

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Construction Code Fees

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction costs. A summary of the current year activity is as follows:

Current year building permit revenue	\$ 76,348
Less total construction code expenses	<u>(123,615)</u>
Shortfall at June 30, 2008	(\$ <u>47,267</u>)

3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the board of trustees in accordance with Public Act 20 of 1943, as amended, has authorized investment in the investments in the preceding paragraph. The Township's deposit and investment policy is in accordance with statutory authority.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

3. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township and its component unit had \$4,372,239 and \$664,904 of bank deposits (certificates of deposit, checking and savings accounts), respectively, of which \$400,000 and \$201,571 were covered by federal depository insurance, respectively, and the remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes, in market interest rates, will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the Township manages its exposure to interest rate risk is by participating in one bank investment pool and one money market which hold diverse investments that local units of government are authorized by law for direct investment.

As of June 30, 2008, the Township had the following investments:

	Primary <u>Government</u>	Component <u>Unit</u>
Investments:		
Bank investment pools	\$ <u>381,993</u>	\$ <u>216,947</u>

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The bank investment pooled funds and money market do not have a rating provided by a nationally recognized statistical rating organization.

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

4. RESTRICTED NET ASSETS

Net assets have been restricted in the amount of \$108,400 to finance sewer bond payments and \$20,424 due from Jackson County which represents unspent bond proceeds, for a total of \$128,824.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows:

	Balance <u>July 1, 2007</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>June 30, 2008</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ <u>71,595</u>	\$ <u>92,011</u>	\$ <u>-0-</u>	\$ <u>163,606</u>
Capital assets being depreciated:				
Land improvements	167,810	-0-	-0-	167,810
Buildings	767,900	-0-	-0-	767,900
Machinery and equipment	760,347	22,469	-0-	782,816
Vehicles	<u>1,496,990</u>	<u>-0-</u>	<u>-0-</u>	<u>1,496,990</u>
Total capital assets being depreciated	<u>3,193,047</u>	<u>22,469</u>	<u>-0-</u>	<u>3,215,516</u>
Less: accumulated depreciation:				
Land improvements	73,836	3,356	-0-	77,192
Buildings	326,076	15,437	-0-	341,513
Machinery and equipment	439,711	64,626	-0-	504,337
Vehicles	<u>1,007,071</u>	<u>66,201</u>	<u>-0-</u>	<u>1,073,272</u>
Total accumulated depreciation	<u>1,846,694</u>	<u>149,620</u>	<u>-0-</u>	<u>1,996,314</u>
Total capital assets being depreciated - net	<u>1,346,353</u>	<u>(127,151)</u>	<u>-0-</u>	<u>1,219,202</u>
Total capital assets - net	\$ <u>1,417,948</u>	(\$ <u>35,140</u>)	\$ <u>-0-</u>	\$ <u>1,382,808</u>

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

5. CAPITAL ASSETS (Continued)

	Balance <u>July 1, 2007</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>June 30, 2008</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 563,425	\$ -0-	\$ -0-	\$ 563,425
Construction in progress	<u>1,274,174</u>	<u>794,979</u>	<u>60,953</u>	<u>2,008,200</u>
Total capital assets not being depreciated	<u>1,837,599</u>	<u>794,979</u>	<u>60,953</u>	<u>2,571,625</u>
Capital assets being depreciated:				
Buildings and systems	25,731,445	269,938	-0-	26,001,383
Machinery and equipment	593,105	11,500	-0-	604,605
Vehicles	<u>31,390</u>	<u>-0-</u>	<u>-0-</u>	<u>31,390</u>
Total capital assets being depreciated	<u>26,355,940</u>	<u>281,438</u>	<u>-0-</u>	<u>26,637,378</u>
Less: accumulated depreciation:				
Buildings and systems	6,947,259	463,929	-0-	7,411,188
Machinery and equipment	409,202	44,063	-0-	453,265
Vehicles	<u>5,979</u>	<u>4,484</u>	<u>-0-</u>	<u>10,463</u>
Total accumulated depreciation	<u>7,362,440</u>	<u>512,476</u>	<u>-0-</u>	<u>7,874,916</u>
Total capital assets being depreciated - net	<u>18,993,500</u>	<u>(231,038)</u>	<u>-0-</u>	<u>18,762,462</u>
Total capital assets - net	<u>\$20,831,099</u>	<u>\$ 563,941</u>	<u>\$ 60,953</u>	<u>\$21,334,087</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 32,583
Public Safety	51,900
Culture and recreation	4,844
Capital assets held by the government's internal service fund are charged to the various functions based on their usage of the assets	<u>60,293</u>
Total governmental activities	<u>\$ 149,620</u>
Business-type activities:	
Sewer Fund	\$ 449,800
Water Fund	<u>62,676</u>
Total business-type activities	<u>\$ 512,476</u>

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2008, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Internal Service Fund	\$ 399,162
	Water Fund	<u>1,500</u>
	Total General Fund	<u>400,662</u>
Drug Forfeiture Fund	General Fund	<u>11,102</u>
Sewer Fund	General Fund	200
	Cemetery Fund	100
	Internal Service Fund	<u>9,997</u>
	Total Sewer Fund	<u>10,297</u>
Water Fund	Sewer Fund	17,522
	Internal Service Fund	<u>14,306</u>
	Total Water Fund	<u>31,828</u>
Internal Service Fund	Cemetery Fund	<u>10,538</u>
	Total	\$ <u>464,427</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions recorded in the accounting system, and payments between funds are made.

For the year ended June 30, 2008, interfund transfers of \$803,092 were made from the General Fund to the Fire Special Revenue fund. Transfers are used to fund various programs accounted for in other funds in accordance with budgetary authorizations.

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

7. LONG-TERM DEBT

The Township issues bonds to provide for the acquisition and construction of major capital facilities. They will be repaid from user fees. General obligation bonds are direct obligations and pledge the full faith and credit of the Township.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:							
Governmental activities:							
Compensated absences	-	-	\$ 245,672	\$ 8,405	(\$ 9,719)	\$ 244,358	\$ 72,946
Capital lease to purchase two vehicles	5.85% - 6.90%	\$ 7,258 - 7,452	<u>26,650</u>	<u>-0-</u>	<u>(12,884)</u>	<u>13,766</u>	<u>13,766</u>
Total governmental activities			<u>\$ 272,322</u>	<u>\$ 8,405</u>	<u>(\$ 22,603)</u>	<u>\$ 258,124</u>	<u>\$ 86,712</u>
Business-type activities:							
Compensated absences			\$ 12,893	\$ 15,385	(\$ 12,893)	\$ 15,385	\$ 10,697
Revenue bonds 1993 sewer bonds, amount of issue \$1,710,000, maturity through 2014	2.00%	\$ 70,000 - 105,000	770,000	-0-	(90,000)	680,000	90,000
Revenue bonds 2000 sewer bonds, amount of issue \$2,465,000, maturity through 2010	4.50% - 5.20%	165,000 - 300,000	875,000	-0-	(275,000)	600,000	300,000
Capital lease with Jackson County to finance Southern Regional Interceptor, amount of County bonds issued \$4,600,000, maturity through 2025	4.25%	125,000 - 425,000	4,600,000	-0-	-0-	4,600,000	125,000
Capital lease to purchase two vehicles	6.65%	7,107 - 8,621	<u>15,663</u>	<u>-0-</u>	<u>(7,580)</u>	<u>8,083</u>	<u>8,083</u>
Total business-type activities			<u>\$6,273,556</u>	<u>\$ 15,385</u>	<u>(\$ 385,473)</u>	<u>\$5,903,468</u>	<u>\$ 533,780</u>
Component Unit:							
Revenue bonds 1987 water bonds, amount of issue \$750,000, maturity through 2011	6.00% - 8.625%	10,000 - 65,000	<u>\$ 290,000</u>	<u>\$ -0-</u>	<u>(\$ 50,000)</u>	<u>\$ 240,000</u>	<u>\$ 55,000</u>
Total component unit			<u>\$ 290,000</u>	<u>\$ -0-</u>	<u>(\$ 50,000)</u>	<u>\$ 240,000</u>	<u>\$ 55,000</u>

For the governmental activities, compensated absences are liquidated by the general fund or the fire special revenue fund (for firefighters).

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

7. LONG-TERM DEBT (Continued)

Revenue bond debt service and capital lease requirements to maturity are as follows:

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 13,766	\$ 943	\$ 523,083	\$ 243,176	\$ 55,000	\$ 18,328
2010	-0-	-0-	545,000	220,025	60,000	13,369
2011	-0-	-0-	245,000	196,150	60,000	8,194
2012	-0-	-0-	270,000	187,875	65,000	2,803
2013	-0-	-0-	300,000	178,488	-0-	-0-
2014 - 2018	-0-	-0-	1,505,000	726,425	-0-	-0-
2019 - 2023	-0-	-0-	1,675,000	413,925	-0-	-0-
2024 - 2028	-0-	-0-	825,000	56,250	-0-	-0-
	<u>\$ 13,766</u>	<u>\$ 943</u>	<u>\$ 5,888,083</u>	<u>\$ 2,222,314</u>	<u>\$ 240,000</u>	<u>\$ 42,694</u>

8. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2008, the Township carried commercial insurance to cover all risks of losses. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

9. OTHER POST-EMPLOYMENT BENEFITS

The Township provides post-employment health care and dental insurance to eligible retirees and their spouses. The benefits are provided in accordance with Township ordinances, resolutions, and collective bargaining agreement. During the fiscal year, three (3) retirees were eligible for the post-employment health care and dental insurance benefits at a cost of \$15,942; these expenditures are recognized as the insurance premiums become due. The Township's policy is to finance these benefits on a pay-as-you-go basis. For those employees who terminate and are not eligible retirees (normal or disability), health care and dental insurance benefits continue for the balance of the month of termination. At that time the former employee has continuation rights to health care and dental insurance coverage under COBRA law of 1985.

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

10. EMPLOYEE RETIREMENT SYSTEM AND PLAN

Plan Description

The Township's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Township participates in the Michigan Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the Retirement Board of MERS. The MERS retirement Board establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Michigan Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917, or by calling (800) 767-6377.

Funding Policy

The Township is required to contribute at an actuarially determined rate; the current rate is 9.54% for union employees and 6.34% for non-union employees of annual covered payroll. Township employees are required to contribute 7.5% of their annual covered payroll. The contribution requirements of the Township are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the Township, depending on the MERS contribution program adopted by the Township.

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

10. EMPLOYEE RETIREMENT SYSTEM AND PLAN (Continued)

Annual Pension Costs

For year ended June 30, 2008, the Township's annual pension cost of \$126,477 for the MERS was equal to the Township's required and actual contribution. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 4.5% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The Township's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period is 30 years.

Three-Year Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	\$ 96,408	100%	\$ -0-
6/30/07	109,171	100%	-0-
6/30/08	126,477	100%	-0-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as of % of Covered Payroll ((b-a)/c)</u>
12/31/05	\$ 3,870,947	\$ 4,561,570	\$ 690,623	85%	\$ 1,372,340	50%
12/31/06	4,229,446	4,826,609	597,163	88%	1,437,814	41%
12/31/07	4,537,601	5,181,349	643,748	88%	1,633,409	39%

TOWNSHIP OF LEONI
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

11. PRIOR PERIOD ADJUSTMENT

The following prior period adjustments were made:	<u>Governmental Activities</u>
Equity at June 30, 2007, as previously reported	\$ 2,642,137
Effect of recognizing prepaid expenses	<u>46,478</u>
Equity - restated at June 30, 2007	\$ <u>2,688,615</u>
	<u>General Fund</u>
Fund balance at June 30, 2007, as previously reported	\$ 1,895,855
Effect of recognizing prepaid expenses	<u>46,478</u>
Fund balance - restated at June 30, 2007	\$ <u>1,942,333</u>

12. COMMITMENTS AND CONTINGENCIES

The Township is involved in litigation regarding the alleged wrongful firing of an employee. An administrative law judge's decision was appealed and reversed by the Jackson County Circuit Courts in the Township's favor. However, an appeal has been filed with the Michigan Court of Appeals. The outcome of the litigation cannot be determined at June 30, 2008, and any possible damages, if any, cannot be reasonably estimated.

On December 6, 2005, Jackson County issued \$4,600,000 of bonds to finance the construction of the Southern Regional Interceptor Project. The Township has pledged its full faith and credit for the bond payments. To offset costs of the project, the Township entered into a wastewater service agreement with three surrounding Townships. These governments agreed to pay the Township transportation and treatment fees. As of June 30, 2008, the amount of receivable, if any, under the agreement cannot be determined or reasonably estimated.

13. SUBSEQUENT EVENT

Subsequent to June 30, 2008, the Township issued \$34,115,000 of revenue bonds through the Michigan Municipal Board Authority for the purpose of constructing a new sewage treatment plant. The first draw from the bond proceeds included reimbursement of approximately \$670,000 of expenses incurred prior to year end June 30, 2008.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF LEONI
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES:				
Taxes and special assessments	\$ 621,213	\$ 577,400	\$ 574,344	(\$ 3,056)
Licenses and permits	141,300	159,600	151,551	(8,049)
State sources	932,000	959,400	955,278	(4,122)
Contributions from local units	1,000	1,000	-0-	(1,000)
Contributions	-0-	7200	7,314	114
Charges for services	9,000	27,400	29,822	2,422
Fines and forfeitures	15,000	48,000	20,924	(27,076)
Interest	23,000	31,000	68,905	37,905
Total revenues	<u>1,742,513</u>	<u>1,811,000</u>	<u>1,808,138</u>	<u>(2,862)</u>
EXPENDITURES:				
Current:				
General government:				
Township board	44,000	34,910	33,798	1,112
Township supervisor	65,015	60,350	59,987	363
Assessor	154,285	149,645	148,471	1,174
Township clerk - elections	25,000	6,000	10,434	(4,434)
Board of review	3,150	3,150	1,623	1,527
Township clerk	139,450	138,200	132,256	5,944
Township treasurer	106,700	101,480	94,737	6,743
Township hall and grounds	36,227	37,907	37,454	453
Public safety:				
Police	446,700	556,200	580,413	(24,213)
Inspection	111,435	128,135	123,615	4,520
Public works:				
Street lighting	102,000	102,000	99,702	2,298
Highways and streets	55,000	55,700	28,147	27,553
Community and economic development:				
Planning	4,300	2,450	2,286	164
Zoning	2,250	825	620	205
Recreation - parks	10,000	10,000	9,232	768
Capital outlay	52,000	132,660	113,103	19,557
Total expenditures	<u>1,357,512</u>	<u>1,519,612</u>	<u>1,475,878</u>	<u>43,734</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>385,001</u>	<u>291,388</u>	<u>332,260</u>	<u>40,872</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	(324,734)	(780,720)	(803,092)	(22,372)
Proceeds from sale of capital assets	<u>-0-</u>	<u>4,000</u>	<u>4,581</u>	<u>581</u>
Total other financing sources (uses)	<u>(324,734)</u>	<u>(776,720)</u>	<u>(798,511)</u>	<u>(21,791)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	60,267	(485,332)	(466,251)	19,081
FUND BALANCES - BEGINNING OF YEAR - AS RESTATED	<u>1,942,333</u>	<u>1,942,333</u>	<u>1,942,333</u>	<u>-0-</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,002,600</u>	<u>\$ 1,457,001</u>	<u>\$ 1,476,082</u>	<u>\$ 19,081</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
BUDGETARY COMPARISON SCHEDULE -
FIRE SPECIAL REVENUE FUND
Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES:				
Taxes and special assessments	\$ 840,000	\$ 500,000	\$ 473,339	(\$ 26,661)
Contributions	-0-	-0-	200	200
Charges for services	<u>5,050</u>	<u>5,050</u>	<u>7,401</u>	<u>2,351</u>
Total revenues	<u>845,050</u>	<u>505,050</u>	<u>480,940</u>	<u>(24,110)</u>
EXPENDITURES:				
Current:				
Public safety	1,159,784	1,274,770	1,273,562	1,208
Capital outlay	<u>10,000</u>	<u>11,000</u>	<u>10,470</u>	<u>530</u>
Total expenditures	<u>1,169,784</u>	<u>1,285,770</u>	<u>1,284,032</u>	<u>1,738</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(324,734)</u>	<u>(780,720)</u>	<u>(803,092)</u>	<u>(22,372)</u>
OTHER FINANCING SOURCES (USES):				
Transfer from General Fund	<u>324,734</u>	<u>780,720</u>	<u>803,092</u>	<u>22,372</u>
Total other financing sources (uses)	<u>324,734</u>	<u>780,720</u>	<u>803,092</u>	<u>22,372</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-0-	-0-	-0-	-0-
FUND BALANCES - BEGINNING OF YEAR	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
FUND BALANCES - END OF YEAR	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

See accompanying notes to financial statements.

OTHER SUPPLEMENTAL INFORMATION

TOWNSHIP OF LEONI
OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2008

	Non-Major Special Revenue <u>Funds</u>	Permanent <u>Fund</u>	Total Non-Major Governmental <u>Funds</u>
	<u>Drug Forfeiture</u>	<u>Cemetery</u>	
<u>ASSETS:</u>			
Cash and investments	\$ 8,942	\$ 45,247	\$ 54,189
Due from other funds	<u>11,102</u>	<u>-0-</u>	<u>11,102</u>
Total assets	\$ <u>20,044</u>	\$ <u>45,247</u>	\$ <u>65,291</u>
<u>LIABILITIES AND FUND BALANCES:</u>			
Liabilities:			
Due to other funds	\$ -0-	\$ 10,638	\$ 10,638
Due to others	<u>1,000</u>	<u>-0-</u>	<u>1,000</u>
Total liabilities	<u>1,000</u>	<u>10,638</u>	<u>11,638</u>
Fund balances:			
Reserved for:			
Public Safety	19,044	-0-	19,044
Perpetual care	-0-	6,009	6,009
Unreserved:			
Undesignated	<u>-0-</u>	<u>28,600</u>	<u>28,600</u>
Total fund balances	<u>19,044</u>	<u>34,609</u>	<u>53,653</u>
Total liabilities and fund balances	\$ <u>20,044</u>	\$ <u>45,247</u>	\$ <u>65,291</u>

See accompanying notes to financial statements.

TOWNSHIP OF LEONI
OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE -
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2008

	Non-Major Special Revenue <u>Funds</u>	Permanent <u>Fund</u>	Total Non-Major Governmental <u>Funds</u>
	<u>Drug Forfeiture</u>	<u>Cemetery</u>	
REVENUES:			
Charges for services	\$ -0-	\$ 8,650	\$ 8,650
Fines and forfeitures	5,538	-0-	5,538
Interest	<u>809</u>	<u>1,543</u>	<u>2,352</u>
Total revenues	<u>6,347</u>	<u>10,193</u>	<u>16,540</u>
EXPENDITURES:			
General government	-0-	6,171	6,171
Public Safety	<u>4,932</u>	<u>-0-</u>	<u>4,932</u>
Total expenditures	<u>4,932</u>	<u>6,171</u>	<u>11,103</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,415	4,022	5,437
FUND BALANCE - BEGINNING OF YEAR	<u>17,629</u>	<u>30,587</u>	<u>48,216</u>
FUND BALANCE - END OF YEAR	\$ <u>19,044</u>	\$ <u>34,609</u>	\$ <u>53,653</u>

See accompanying notes to financial statements.

Dove & Hickey, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Phone (517) 796-8880 • Fax (517) 796-8777

MEMBERS:

**AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS**

**MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS**

**GEORGE DOVE, C.P.A.
PAUL T. HICKEY, C.P.A.
NANNETTE M. SPONSER, C.P.A.
ALLISON I. COLE, C.P.A.**

November 19, 2008

Board of Trustees
Leoni Township
Jackson County, Michigan

Board Members:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leoni Township as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Leoni Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

Financial Statement Report Adjustments:

During the audit we generally provide assistance in identifying and calculating certain year-end adjustments required to prepare financial statements in accordance with generally accepted accounting principles, including the requirements of GASB 34. We also assist in gathering information required for financial statements reclassifications and footnote disclosures. We are pleased to assist in this process, as we have expertise in these adjustments and reporting issues, and can generally assist in a very cost-efficient manner. We bring this to your attention since it meets the above definition of a matter to be communicated.

Payroll:

During the audit we noted that only some departments have their employees' foot and sign their time cards. We suggest that this practice be expanded to all Township employees to improve the internal controls over payroll. We also suggest that department heads initial their employees' time cards, to document that they have been reviewed and approved for payment.

Public Safety Policy Book:

We inquired of the Public Safety Director regarding various policies during the audit and noted that his policies have not been approved by the Township Board or the Police Board. We suggest that any Township policies be reviewed (some by legal council) and approved by the Township Board prior to making them department policy.

Drug and Criminal Forfeitures:

During the audit we inquired of the procedures used in the operation of the evidence room and handling of money seized. We noted that evidence was processed and labeled, but no inventory of the items is maintained. We also noted that no system is in place to track if bonds were posted timely for seized money and property. We suggest that a system be set-up to track seized items, so that they can be timely and properly forfeited to the Township, if necessary.

We also reviewed the Annual Local Unit of Governmental Asset Forfeiture Report filed with the State of Michigan, Department of Community Health. We could not reconcile the activity reported with the activity recognized in the prior year's Drug Forfeiture activity. We suggest that the Public Safety Director work with the Township bookkeeper to help ensure that the activity reported agrees with amounts recorded in the Township's Drug Forfeiture fund.

Police Fuel Cards:

During the audit year, we noted that the process to charge gas for the Police department was changed from one charge card per car, which allowed the officer to purchase gas after he swiped his identification card and entered the police car mileage, to each officer having his own fuel credit card. The invoices from the vendor calculate each car's mileage and estimated cost per mile (at no additional cost to the Township), which now is not available, since officers are no longer required to enter the mileage. This change in procedure has reduced management's ability to monitor and document the fuel costs of the police department. We suggest that the Police department return to the previous process of using two cards to purchase gas and that the Township Board approve any further changes in use of credit cards.

Sewer and Water Connections:

Several residents connected to the Township's sewer and water systems during the audit year and opted to pay for the connections through special assessments. The Township sewer and water funds recorded the deposits received, but the balances set up as special assessments were not recorded in the general ledgers until the audit journal entries were approved and recorded. We suggested to management that updates to the Sewer and Water applications include an area listing the special assessment amounts and a copy be directed to the bookkeeper to post timely to the general ledgers.

Other Matters Noted:

Budgets:

P.A. 621 of 1978, as amended, provides that a local government unit shall not incur expenditures in excess of the amount appropriated. The Township incurred expenditures in excess of the amount appropriated in three activities. The Township should amend its budget before this occurs.

We also noted that when budgets were amended, the amount in total was noted in the minutes, but did not list the activities amended. We suggest that all the detail of the amendments be included in the minutes or the Township use a resolution listing the detail.

Sale of Surplus Township Property:

We noted that the approval to sell a totaled police car was not noted in the Board minutes. Management noted that it was approved, just not recorded in the minutes. We suggest that the Township use a resolution to document its approval and method of disposal of surplus property.

Reimbursements:

Fire food and clothing allowances are being paid under a non-accountable plan. A nonaccountable plan is taxable to the employee and subject to FICA and income tax withholding. The Township should report these amounts on the employee's earnings and withhold payroll taxes.

Wage, Benefit, and Insurance Allocations:

Management is allocating employee wages and benefits, and insurance to the various funds. The allocation percentage may vary from year to year and may not represent the current costs to each fund. We suggest that management review the allocations to determine if they are still valid.

Postemployment Benefits

The Governmental Accounting Standards Board has recently released Statement No. 45, Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new pronouncement will cause the government-wide financial statements to recognize the cost of providing retirees healthcare coverage over the working life of the employees, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

We believe that implementation of these recommendations will provide the Township with a stronger system of internal control while making its operations more efficient. We will be happy to discuss the details of these recommendations with you and assist in any way possible with their implementation. This report is intended solely for the information and use of the Board, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to serve you. If you have any questions regarding this letter, please contact us.

Respectfully yours,

Dove & Hickey, P.L.C.